Interior Department leases oil-shale mine in Utah

PAUL FOY - The Associated Press
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SALT LAKE CITY -- The federal government issued a lease on Thursday to a partnership that wants to open an abandoned oil-shale mine in eastern Utah.

The Interior Department issued the 10-year lease to Alabama-based Oil Shale Exploration Co., for Utah's only oil-shale experiment on federal land.

Last December, the department leased other 160-acre parcels of federal land in northwest Colorado to three energy companies also trying to coax oil out of hard rock. Parts of Colorado, Utah and Wyoming contain enough petroleum in theory to meet U.S. energy needs for a century, but it is an expensive process to start.

The U.S. House on Wednesday reigned in more ambitious plans by the Interior Department to open more of the West to commercial oil-shale development. The House measure yanks funding set aside for preparation of regulations for more oil-shale leasing. The House sent the measure, contained in a 2008 appropriations bill, to the Senate.

The companies involved in the Colorado projects -- Shell Frontier Oil and Gas Inc., Chevron USA Inc. and Midland, Texas-based EGL Resources Inc. -- plan to draw shale oil from underground with heat or solvents. Utah's is the only mining project where oil shale will be dug up, crushed into gravel and fed into a special furnace called a retort.

OSEC plans a test run taking a leftover supply of rock at the surface of the White River mine to a retort in Calgary, Alberta. If all goes well, it plans to bring a portable retort to Utah and start working the mine. To get started, it needs to submit operational plans to the Bureau of Land Management.

OSEC is a partnership of Daniel G. Elcan, a Mobile., Ala., commercial real-estate developer; T. Barr Linton, a Birmingham, Ala., lawyer representing Twin Pines Coal Co., and Stuart A. Rose, chairman, president and CEO of Dayton, Ohio-based electronics and appliance retailer Rex Stores Inc.

All three partners had a hand in synthetic coal development years ago.

The White River mine near Vernal, 130 miles east of Salt Lake City, was abandoned by three major oil companies in 1985 when falling crude prices made shale oil uneconomical. Energy companies say today's crude oil prices make oil-shale extraction more practical.

Federal officials say they will require OSEC to keep piles of spent shale left after burning in lined pits until officials can figure out how to properly dispose of the waste. They say the alkaline tailings contain heavy metals and arsenic and could grow to enormous piles.

OSEC's managing partner, however, has said the expensive lining won't be necessary.

"We will prove to the government that the spent shale has no hazardous properties remaining in it, and we hope to revisit the issue of the lined berm," Elcan, who wasn't available for comment Thursday, told The Associated Press in an interview May 1.

Elcan said OSEC in May had approval to drop a camera down a shaft to start exploring the White River mine.
